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High-level segment

Provisional summary record of the 16th meeting
Held at Headquarters, New York, on Monday, 28 June 2003, at 10 a.m.

President: Ms. Rasi ..... (Finland)

Contents

Opening of the session

Adoption of the agenda and other organizational matters

Policy dialogue and discussion on important developments in the world economy and international economic cooperation with heads of financial and trade institutions of the United Nations system

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The meeting was called to order at 10.15 a.m.

Opening of the session

1. **The President** declared open the substantive session of 2004.

Adoption of the agenda and other organizational matters (E/2004/7, E/2004/65, E/2004/84, E/2004/100 and Corr.2; E/2004/L.7 and L.8)

2. *The provisional agenda was adopted.*

3. **The President** said she took it that the Council wished to approve the proposed programme of work (E/2004/L.7).

4. *It was so decided.*

5. **The President** recalled that at its 2nd meeting, on 4 February 2004, the Council had decided to consider at its 2004 substantive session the application of the intergovernmental organization World Deserts Foundation to participate in its work as an observer. The Council's draft decision to accept that application was now before the Council in document E/2004/7. In the absence of objection, she would take it that the Council wished to grant observer status to the World Deserts Foundation.

6. *It was so decided.*

Policy dialogue and discussion on important developments in the world economy and international economic cooperation with heads of financial and trade institutions of the United Nations system (E/2004/75, chap. I)

7. **The President**, introducing the high-level policy dialogue, said that the Council had become an important platform for coordinating action in support of the outcomes of the major United Nations conferences and summits, including the Millennium Development Goals. In some areas, it had made significant headway. First, by selecting cutting-edge issues as themes for its high-level segment, it had taken a lead role in key policy areas. The choice of theme for 2004 was very timely, because in 2005 the world would review the progress made in implementing the goals of United Nations conferences and summits, including the Millennium Development Goals. Secondly, the Council was now collaborating with non-governmental organizations, other civil society organizations and the private sector as key partners in its work. Preparatory meetings for the high-level segment had been held with non-governmental organizations in various regions, and by the International Association of Economic and Social Councils, and the resulting recommendations would be presented to the Council during the high-level segment. Third, the Council had devised ways of bringing different actors together to help promote its policy decisions, leading to initiatives such as the Information and Communication Technologies Task Force. The Council also provided a forum for various actors to explore possibilities for cooperation, such as the forum with leaders of business and finance on facilitating investment in least developed countries. Moreover, the Council could play a catalytic role in facilitating initiatives to generate resources in least developed countries (LDCs) for achieving their development goals.

8. Fourth, the Council had developed its role as a forum for policy coordination and collective action with the Bretton Woods institutions, the World Trade Organization, United Nations Conference on Trade and Development and other United Nations bodies working in economic development and in support of the Monterrey Consensus and the Millennium Development Goals. The Bureau of the Council regularly discussed financing for development with the Executive Boards of the World Bank and the International Monetary Fund. Fifth, the annual high-level policy dialogue on important developments in the world economy and international economic cooperation provided a forum for the Council to assess, together with the key trade and financial institutions, the major economic problems in the world and their impact on development, and to address issues of policy coherence. Finally, the Council was increasingly involved in providing international assistance for recovery and long-term development to countries emerging from conflict. Having set up ad hoc advisory groups on the situations in Burundi and Guinea-Bissau, it interacted with the Security Council regarding these countries and would soon hold a special event to discuss the transition from relief to development. Both the humanitarian segment and the operational activities segment had become active in coordinating the work of the United Nations system organizations.

9. The Council was still exploring ways of exercising a greater impact on the system and on the world at large. In May 2004 it had organized a panel to

discuss how to improve the effectiveness of its work, in the spirit of the United Nations reform. With other members of the Bureau, she was committed to making the Council a more effective forum for achieving policy coherence and for coordinating development efforts.

10. **Ms. Freschette** (Deputy Secretary-General of the United Nations) said that the Secretary-General, who was away from Headquarters, had asked her to tell the Council how glad he was that it would be focusing on the development challenges facing the 50 least developed countries. For the 700 million people in those countries, the decisions of the United Nations, and the extent to which those decisions were acted upon, could make the difference between life and death. No issue on the agenda of the United Nations was as important as working to meet the Millennium Development Goals. A sine qua non for success in that endeavour was sustained economic growth. In spite of the improvement in the world economy, with growth likely to reach 4 per cent in 2004, the global economic environment was uncertain and was bedevilled by high energy prices. Growth in some developing countries, especially those which were heavily dependent on agriculture and had to import energy, could not reliably be expected to continue. Nor could the Goals be met in the absence of policies and programmes targeting the poor. Very few least developed countries were likely to achieve the poverty reduction goals set in the Brussels Programme of Action and the Millennium Declaration. Severe poverty in those countries was both a result and a cause of economic stagnation. Poor States must make their governance more efficient, transparent and accountable, and invest more in health, education and basic infrastructure. They should do everything possible to support homegrown entrepreneurs, tap the potential of remittances from emigrants, and attract foreign direct investment.

11. The efforts of least developed countries must however be matched by those of the development partners. The donor countries must fulfil their commitment under the Brussels Programme of Action to increase aid flows to 0.20 per cent of gross national product. They should channel more aid through their national budgeting processes, and ensure that aid flows were sustainable over the long term.

12. The crippling debt burden of many poor countries also called for attention; if Iraq's debts could be forgiven, so could theirs. The enhanced Heavily Indebted Poor Countries (HIPC) Initiative should be speeded up, and in some cases topped up. She welcomed the European Union's Everything but Arms initiative, the African Growth and Opportunity Act of the United States, and similar bilateral initiatives by Japan, Canada, Australia and others. However, there was no substitute for revitalizing the Doha Development Agenda, especially by removing or substantially reducing the agricultural subsidies which stunted growth in poor countries.

13. A renewed commitment at the high-level segment to the Millennium Development Goals and the Brussels Programme of Action would be a first step in preparing for the 2005 review of progress towards implementing the Goals. The review would itself be an opportunity to consider how to strengthen the multilateral institutions in general, and the Council in particular, by improving its capacity to promote policy coherence. Efforts must be coordinated in order to make globalization work for everyone, and especially for those in the poorest nations.

14. **The President** invited Mr. Mathieu Kérékou, President of the Republic of Benin, to give the keynote.

15. **Mr. Kérékou** (President of the Republic of Benin) said that, since Benin held the chairmanship of the Coordination Bureau of the Least Developed Countries, he had the privilege of speaking on behalf of the hundreds of millions of women, children and men in the least developed countries who were living in poverty, but with the hope that the promises made to them of solidarity, justice and peace would be translated into action. He called for greater understanding, sincerity and humanism in trade and in the relations between peoples and States. It was important to know whether the poor nations were refusing the chance to develop, or were being prevented from doing so by a web of mechanisms which confined them to the role of producers of raw materials and consumers of finished products from elsewhere, deprived of an equitable share in the benefits of science and technology.

16. In the Programme of Action for 2001-2010, the international community had espoused the target of reducing the proportion of people living in extreme poverty by half by the year 2015. It must therefore show political will by adopting a specific timetable for action to halt the pauperization and socio-economic marginalization of the least developed countries. The

results so far achieved were not encouraging: official development assistance had not reached the promised level, and the recourse to export subsidies in certain rich countries was undermining the capacity of the least developed countries to sell their products on world markets. The few market preferences they enjoyed were underused because of the obstacles placed in their way, such as health and phytosanitary regulations, the complex procedures imposed by the developed countries under their internal law, and dependence on a single export product. Moreover the least developed countries continued to labour under a mountain of debt, which hampered their capacity to provide social protection for their populations, exposed vulnerable groups to greater risk, aggravated conflict and left the ravages of HIV/AIDS unchecked.

17. The Coordination Bureau for the least developed countries welcomed the choice of theme for the high-level segment, and looked forward to a thorough and realistic debate which would identify clearly the problems faced by the least developed countries. Cutting by half the numbers living in extreme poverty by 2015 would require integrated global action taking account of social, human and environmental factors. The developed countries should increase official development assistance (ODA), promote foreign direct investment (FDI) and debt forgiveness, open their markets to the products of the least developed countries and enable them to gain access to medicines at lower cost. At the same time, those countries themselves must make significant progress in good governance, in respect for legality and the fight against corruption, in decentralization, and in public participation in the national development process, without discrimination based on ethnicity, gender or creed. The future of the developed nations themselves was indissolubly linked to the fate of the least developed countries. He concluded by appealing for a world crusade against hunger and poverty to improve the lot of the poorest peoples.

18. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs) said that the world economy was now growing faster than it had for several years. Gross world product was expected to grow by 3.75 per cent in 2004 and 3.5 per cent in 2005, compared with 2.7 per cent in 2003. The countries experiencing the most rapid growth were those with economies in transition. China and India, the two most populous developing countries, were emerging as engines of growth for the world economy as a whole, thereby reducing the vulnerability which stemmed from overreliance on the United States. The international economic environment was favourable to growth, with low domestic inflation and improved macroeconomic balances, except in the developed countries. The developing countries had been benefiting from recovered international trade flows, rises in the international prices of many commodities, increased net capital flows and the relatively low costs of external financing. As a group, the least developed countries had grown faster than other developing countries since 2000. A few of them, including several of the largest ones, had achieved the 7 per cent target rate of growth called for in the Brussels Programme of Action. However, several smaller ones had regressed in 2002-2003, and in that period the number in which gross domestic product (GDP) had declined exceeded by at least 3 per cent those in which it had risen. The least developed countries had been partly insulated from downward trends in the global economy by their limited integration into the world economy, and their heavy dependence on commodities had proved a temporary asset because of the buoyancy in commodity prices. Growth in Bangladesh had been especially strong.

19. However, the current strength of the global economy remained largely cyclical, and the period of accelerated growth in many economies would soon come to an end. Policy makers must therefore endeavour to sustain growth by keeping policy stimuli in place for the right length of time. They might need to take pre-emptive measures against the risks to growth which would occur if the surge in oil prices continued. The current favourable conditions should be used to address weaknesses at all levels, by reducing global external imbalances and internal domestic imbalances, and private-sector debt.

20. Action in fighting poverty and attaining the Millennium Development Goals fell short of what was needed. It was crucial to make progress on aid, trade and debt, and he hoped the discussions in the Council would generate the extra political will to ensure decisive action in those areas.

21. **Mr. Ricupero** (Secretary-General of the United Nations Conference on Trade and Development) said it was estimated that if current trends persisted those living in extreme poverty in least developed countries would increase from 334 million in 2000 to 471 million by the year 2015. Moreover, only a few of

those countries were likely to reach their targets for the reduction of mortality rate, hunger and access to safe drinking water. Low levels of income and savings hampered domestic resource mobilization in the least developed countries since the net disposable income per capita available for private capital formation, public investment and vital services amounted to US$ 0.15 daily. On the basis of domestic resources alone, it was impossible for least developed countries to lift themselves out of poverty. Alternative sources such as ODA, remittances, FDI, trade and debt relief had improved for the most part, but were insufficient, unstable, and concentrated in a few countries. Trade activity, particularly with regard to merchandise export from least developed countries, had shown promise, although the bulk of earnings from such products was distributed unevenly among five countries. Real annual GDP, growth per capita had exceeded 3 per cent in 14 countries but had stagnated or declined in 24 others, and only seven countries had reached the target growth rate set under the Brussels Programme of Action.

22. Balanced economic performance and poverty eradication in the least developed countries required the incorporation of three indispensable pillars into a dynamic framework. The first pillar was a development strategy capable of mainstreaming both trade and development within poverty eradication. It required growth in agricultural productivity, export-led industrialization of processed agricultural products, diversification through management of mineral resources and employment-intensive technologies. The second pillar depended on improvements in the international trade regime to reduce international constraints on development in the least developed countries. With respect to commodity dependence, there should be three main priorities: the phasing out of certain agricultural support measures in Organization for Economic Cooperation and Development countries; initiatives to ensure greater international transparency in revenues from oil, gas and mineral exploitation; and the adoption of measures to reduce vulnerability to price shocks. The third pillar was the provision of financial and technical support for the promotion of production and trade capacities. It was a matter of concern that assistance to least developed countries had increasingly shifted away from production and infrastructure to basic human and social needs. Commitments in support of trade policy formulation and trade development in the least developed countries totalled only 0.5 per cent and 1.5 per cent, respectively, of total aid. There was therefore a strong case for using HIPC assistance for the development of productive sectors and for ensuring that the granting of further debt relief was consistent with the development of productive and trade capacities.

23. The fact that the poorest countries in the period 2000-2002 had had a real average annual GDP growth rate of almost 5 per cent, or real per capita GDP growth of 2.6 per cent per annum, representing 1 per cent more than the rest of the developing economies, meant that development in least developed countries was by no means an impossible dream. Resources could be mobilized and channelled into productive uses through the adoption of appropriate strategies and a friendly environment. That would require a new international covenant based on solidarity. It would be futile to fight the symptoms of threats to peace and security without addressing their deep-rooted causes, such as the subsidies that threatened the economies of some of the poorest countries in West Africa. The international community should make a commitment to remove the biases, imbalances and distortions that made the current road too steep for the weak to climb.

24. **Mr. Carstens** (Deputy Managing Director of the International Monetary Fund (IMF)), in acknowledging the daunting challenge of achieving the Millennium Development Goals and of mobilizing the resources necessary for poverty eradication, said that vigorous efforts by all parties, donor and recipient countries, United Nations agencies, trade institutions and the international financial organizations would be crucial in order to prevent shortfalls. The economic climate for intensified effort was, however, favourable. The Fund had a projected accelerated recovery in the world economy that would nevertheless require the adoption of significant measures to ensure sustainable recovery. It was heartening to note that GDP growth in sub-Saharan Africa, excluding South Africa, had risen to 4.4 per cent in 2003 and was expected to grow at an even faster pace in 2004. That setting laid the groundwork for durable global growth and enhanced support for the Millennium Development Goals. The crucial steps to be taken towards sustainable global recovery must include an orderly resolution of lingering physical and external imbalances, a timely, pro-development outcome to the Doha Round, and increased aid commitments.

25. It remained to be seen, however, whether the international community was taking decisive enough

steps in those directions. IMF remained fully committed to the Monterrey Consensus and to helping member countries raise economic growth and reduce poverty by establishing a sound macroeconomic policy frameworks and institutions. Through a wide range of activities, it tried to determine how best it could assist in implementing the strategy outlined in Monterrey. It was striving to improve its tools of surveillance and policy advice, technical assistance and financial support to ensure the achievement of growth, employment and poverty reduction objectives of individual countries. The international community should focus on helping countries to effectively implement their own strategies, for which the key operational framework remained the poverty reduction strategy paper.

26. He outlined the Fund's work in strengthening macroeconomic policies, capacity-building in the administration of additional financing, including inflows of aid, and encouraging countries to adopt trade policies that were in their best interests. In assisting countries to build technical capacity and strengthen institutions, the Fund continued to reinforce its technical assistance and training programmes, including its work carried out in regional technical assistance centres.

27. Debt relief was yet another critical component of assistance to low-income countries. Thirteen eligible countries had benefited from a permanent write-off of a substantial proportion of their debt to multilateral institutions as well as bilateral donors. An additional 14 countries were receiving interim debt relief and the HIPC Initiative had already led to higher government spending on poverty reduction in many countries.

28. The achievement of the Millennium Development Goals required action on a broad front, since without macroeconomic and structural reform and trade liberalization, additional aid would achieve little. The Fund was committed to making a contribution to the common effort of the international community to advance in all those areas. It would continue to focus its support on activities within its core mandate, endeavouring to ensure that they complemented the work of the other partners and were country-specific.

29. **Mr. Goldin** (Vice-President for External Affairs, Communications and United Nations Affairs, World Bank) said that the high-level segment created a further opportunity for finance and trade institutions to share their views with the Council and to engage in a broad analysis of international economic cooperation. He had listened with interest to the keynote address, in which the President of Benin had described the progress made by the least developed countries in honouring their side of the Monterrey agenda, and he looked forward to the comments to be made by the representative of the International Labour Organization on the elements for creating fair and inclusive globalization.

30. Looking at development from the viewpoint of the least developed countries helped to create an important road map for the work of participants. The World Bank had worked to assist the poorest countries in all seven areas covered by the Brussels Programme of Action. The International Development Association (IDA) continued to provide low-income countries with long-term, concessional loans and full grants for programmes that built the policies, institutions, infrastructure and human capital needed for equitable and environmentally sustainable development. The goal of the Association was to reduce inequalities by allowing more people to participate in the mainstream economy. In the fiscal year 2003, IDA commitments had totalled $7.4 billion and disbursements $7 billion. New commitments for the current fiscal year comprised 141 new operations in 56 countries. The discussions on replenishment would soon take place in Hanoi, and the World Bank was urgently seeking increased financing. Countries emerging from or still involved in conflict were unable to effectively absorb IDA resources. Cooperation with the United Nations system was therefore vital in fulfilling the Bank's obligations to countries in difficult circumstances.

31. The unprecedented achievements of today's world were unfortunately matched by the dire poverty that afflicted most of the planet. Although the proportion of people living in extreme poverty in developing countries had dropped by almost half between 1981 and 2001, or from 40 to 21 per cent of global population, and despite rapid economic growth in East and South Asia, prospects were dismal in many other parts of the world. Statistical analysis strongly suggested that the biggest gains occurred where growth and trade coincided with sustained efforts to develop human capital and foster a sound investment climate. Vigorous and comprehensive development policies and actions were necessary to ensure that benefits reached their intended targets.

32. Explicit social investments were needed to achieve the Millennium Development Goals, with

special focus on social inclusion and investment in human capital, environmental degradation and the Monterrey commitments. Market access was also vital to poverty alleviation, since it had been established that the poor suffered the most from protectionism. The World Bank would continue to focus on the implementation of commitments and harmonization and would seek to deepen partnerships. The execution of the sound policies developed in Monterrey, Doha and Johannesburg required global coherence at the country level and among the Bretton Woods financial institutions, and the time was ripe for action.

33. **Mr. Rana** (Deputy Director-General of the World Trade Organization) said that, apart from trade liberalization, the multilateral trading system embodied in the World Trade Organization (WTO) was concerned with rules to provide for stability, predictability and security, ensuring that governments adhered to agreed limits and helping poor countries to reap the full benefits from international trade. Since 1948, tariffs in the industrialized world had been cut by more than 80 per cent and trade growth had mostly outpaced international output. Nevertheless, many barriers to trade remained.

34. The link between trade and development was now well established, and the importance of this link had been reiterated at successive international conferences. The current Doha Round was the first set of multilateral trade negotiations in which the needs and interests of developing countries had been officially declared a priority. These negotiations were at a crucial stage and WTO members were working hard to secure, by the end of July 2004, a framework package which would better define how to address the issues of particular importance to developing countries. The July framework was indispensable for a successful outcome to the negotiations and the stakes were exceedingly high. For the first time, there was hope for achieving substantial reform in trade in agricultural products. If it were possible to make progress in negotiations on cotton, important opportunities would surely arise in other areas such as market access for non-agricultural products and trade in services. Never before in the history of multilateral negotiations had issues of importance to developing and the least developed countries been given such prominence as in the Doha work programme.

35. In agriculture, the prevailing view was that least developed countries should be exempted from commitments to reduce tariffs and given preferential market access. In non-agricultural market access areas, least developed countries were not expected to apply any reduction formula to their tariffs or to take part in any sectoral approach. Other actions in favour of least developed countries included the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and Public Health adopted in 2003, as well as initiatives to enhance capacity-building and technical assistance, including the Integrated Framework and the Joint Integrated Technical Assistance Programme (JITAP).

36. For many developing countries and most least developed countries, supply-side constraints remained a fundamental challenge. Although the role of WTO in directly addressing such constraints was somewhat limited, cooperation with other agencies could make a richer contribution in helping governments to address those supply-side constraints. Mobilizing and securing resources for development required sound economic policies and good governance at domestic levels. It also required enabling environments for the private sector and for foreign investment. At the international level, developed countries must live up to their promises on aid and debt relief.

37. **Mr. Somavia** (Director-General of the International Labour Organization), commenting on the report of the World Commission on the Social Dimension of Globalization, prepared under the leadership of the presidents of Finland and the United Republic of Tanzania, said that it was based on dialogue between 26 personalities with different outlooks, interests and experiences. The report was critical, stating that the benefits of globalization were not reaching the people and that the present path was not politically sustainable. It was also positive, maintaining that the point was not to stop globalization, but to manage and shape it within open economies and open societies. The report contained proposals for action across a broad front of interconnected policies. Most of its recommendations were based on ongoing work in different organizations and were feasible and realistic. It was an action plan for achieving the common goal expressed in the Millennium Declaration of ensuring that globalization became a positive force for all the world's people. It took to heart the Brussels Programme of Action, which had no hope of being implemented unless fair globalization was built.

38. In its recommendations, the Commission pointed out, first, that all efforts needed to begin at home. It

was necessary to reinforce local communities and markets where people lived and wanted to stay, if given the opportunity. There could not be a successful globalization without a successful "localization". National policies mattered in all countries, developed and developing. Implicit in national ownership was the recognition of diversity by the international community. Developing countries needed sufficient policy space to define their own sequencing and priorities for integration into the global economy and had a number of choices open to them, including a strong and effective State, productive and efficient markets; and honest, open and well-functioning public and private sectors. There must also be widespread participation and dialogue, respect for freedom of association and gender equality, and an enabling environment for investment and enterprise creation.

39. Secondly, there was a need for fairness: fair rules of the game and fair outcomes. There was a feeling by many observers that globalization had developed in an ethical vacuum based on a "winner-take-all" mentality. In that respect, the Commission's report reinforced the Declaration issued at the eleventh session of UNCTAD on least developed countries. Specifically, it recommended substantial reductions in unfair barriers to market access, a more consistent and coherent framework for foreign direct investment and competition policy, a level playing field complemented by fair rules for the cross-border movement of people, and respect for core labour standards. Special and differential treatment was applicable not only to trade and finance, but beyond.

40. Thirdly, in the area of financing for development, apart from calling for higher ODA levels and more decided action on debt relief, the Commission was encouraging consideration of new and additional sources of funding. The report stressed that incentives offered in the competition between developing countries to attract foreign direct investment drained much-needed tax revenues. That could be reversed through balanced cooperative arrangements, possibly beginning at the subregional and regional levels. The report also addressed issues of migration, including tax incentives for migrants to reinvest back home, and the channelling of development assistance to enhance the productive capacity of countries.

41. Finally, the report's recommendations touched on policy coherence and recommended the launching of a policy coherence initiative focusing on sustainable growth, investment and employment among relevant international organizations.

42. In short, the Commission saw decent work as the means to eradicate poverty and fair globalization as the external enabling environment for development. It maintained that global governance needed to be upgraded and that follow-up was a priority. If the recommendations of the Commission, debated and enriched, were carried out within a reasonable period of time, globalization in its current form would change significantly for the better.

43. **Mr. Al-Mahmoud** (Qatar), speaking on behalf of the Group of 77 and China, said that, it was heartening to note that while some least developed countries had achieved a real growth rate of 7 per cent — the rate required to attain the overarching goal of the Brussels Programme of Action — a large majority still lagged far behind. Moreover, many of those that had achieved real growth would not be able to sustain it if their existing structural weaknesses persisted. Furthermore, informal assistance, the external debt, trade and commodities had not received comprehensive attention. ODA continued to be the main source of external finance for least developed countries. Indeed, despite some improvement in informal assistance, ODA was still much lower than the agreed upon goal. There was a general consensus that unofficial development assistance should be given in the form of grants rather than loans. Noting that a large number of least developed countries still had heavy unsustainable debt burdens, he wondered whether the HIPC initiative offered long-term solutions to the debt problem. Another issue which had undoubtedly contributed to entrenching the debt problem in many least developed countries was that of commodity price instability.

44. **Mr. Kitt** (Ireland), speaking on behalf of the European Union, said that the Council's review of current global economic developments must pay particular attention to the current situation in the least developed countries. Many of the issues on its agenda had also featured prominently at the UNCTAD meeting in Sao Paolo, where a very high level of agreement and cooperation between all participants had been achieved.

45. It was clear from the UNCTAD report on least developed countries, from the analysis of the Department of Economic and Social Affairs and from World Bank surveys that economic growth in the least developed countries was not high enough to sustain

development and generate resources for future investment, which meant that most of those countries, especially in sub-Saharan Africa, were now seriously off track in their efforts to meet the Millennium Development Goals. The Council's discussion of that situation should focus on four key points.

46. First, the impact of HIV/AIDS on the development of many least developed countries must be discussed. Referring to recent research findings on the impact of various AIDS prevalence rates on economic development, he said that the relationship between the spread of AIDS and future economic growth and development was still not fully understood, nor were there any comprehensive strategies for dealing with the economic and social impact of HIV/AIDS in high-prevalence least developed countries. There was also a need to factor HIV/AIDS levels into HIPC initiatives. Indeed, the impact of the disease on a country's capacity to repay debt must be taken into account in calculating sustainable debt levels. In other words, HIPC and future work on sustainable debt must be based far more on human development indicators than on pure economic indicators, such as debt-to-export ratios. Secondly, donors should do more to tell the private sector in developed countries about the opportunities that were arising in least developed countries. The Everything but Arms initiative of the European Union, the United States African Growth and Opportunity Act and other similar measures, coupled with investor-friendly regimes and improved governance, made many least developed countries an increasingly attractive investment opportunity. The international community needed to hear more about successful investments in least developed countries in order to dispel the poor international image of those countries.

47. Thirdly, while he agreed with the suggestion made at the eleventh session of UNCTAD that trade should be mainstreamed into poverty-reduction and other national development strategies, that was easier said than done. The second generation of poverty-reduction strategies might need to be rebalanced and more attention needed to be paid to the growth-producing sectors of the economy than the social sectors. However, he agreed that the social sectors were central, since without a healthy and educated workforce any efforts to achieve high growth rates were bound to fail. However, the poverty-reduction strategy papers must also pay more attention to private-sector-led growth, to investment strategies and export promotion, to better and less regulation, to infrastructure and to key agricultural sectors. Finally, it was important to ensure the successful conclusion of the Doha Round while also ensuring that least developed countries had all of the gain and none of the pain.

48. **Mr. Nielson** (Commissioner for Development and Humanitarian Aid, European Commission) said that, having hosted the Third United Nations Conference on the Least Developed Countries in May 2001, the European Union now welcomed the opportunity to take stock of the progress and to discuss how best to improve resource mobilization. Since 2001, European Union programmes had been focusing more on poverty eradication and the achievement of the Millennium Development Goals. That policy shift for the implementation of community assistance could clearly be seen in the way Union resources were allocated. In 2003, 41 per cent of its ODA disbursements worldwide had gone to low-income and least developed countries. In 1999, that share had been only 34 per cent. For the Commission to go even further, he personally was working to make its resource-allocation criteria increasingly needs-based.

49. On the whole, the European Union was delivering on its pledges to increase the volume of ODA. Based on the current forecasts and road maps, a total of more than 19 billion euros of additional ODA would be made available over the period 2003-2006. The annual ODA effort by European member States would progressively increase to 38.5 billion euros or 0.42 per cent of their total gross national income in 2006. While the pledge in Monterrey had been to move from the aggregate average of 0.33 per cent to 0.39 per cent by 2006, the European Union had actually been able to increase that figure to 0.42 per cent. An increasing number of member States had also identified a year by which they would reach the United Nations 0.7 per-cent-of-GDP target and the Commission was strongly encouraging the rest to follow suit. The Commission would monitor developments systematically as a way of applying peer pressure to produce progress.

50. Over the past year, the European Union had been addressing specific challenges through new approaches, such as the recent decision, with a group of African, Caribbean and Pacific (ACP) countries, to allocate 500 million euros to create a water facility which would serve as a springboard for forging new partnerships to improve access to water and sanitation.

The next such goal could be a facility for energy. An African peace facility had also been created and funded with 250 million euros. Since schools and roads could not be built while conflicts raged, support for peacekeeping must be seen as an integral part of fostering development. The peace facility would provide the African Union with the financial muscle to back up its political resolve with concrete results. That, in turn, should increase African solidarity and ensure that peace and stability benefited the continent as a whole. Currently, the peace facility was active in funding 60 per cent of the monitoring of the ceasefire in Darfur. Also, substantial contributions to the global fund for AIDS, malaria and tuberculosis had been made. In 2003, the European Commission had increased its total pledge to the global fund from 120 to 460 million euros, thereby reflecting the priority it attached to health and HIV/AIDS.

51. Much had also been achieved in trade and development since 2001. Rather than fashioning trade policies to integrate developing countries into world markets, he believed that since the least developed countries were already an integral part of the global economy it was the terms of their trade flow and the role they played in the world economy that needed to change. Integration could also be seen as diversifying and adding value to activities in the global marketplace. The commitment to putting trade at the service of poverty reduction which the Commission had demonstrated in recent years by opening up European markets to the least developed countries, was yielding benefits in terms of increased exports from the those countries to Europe. He hoped that the next generation of economic partnership agreements currently being negotiated with the ACP countries would be aimed at combining trade and aid policies in a new way. Given that regional integration ran parallel to the multilateral negotiations conducted in WTO, the least developed countries must be spurred into integrating with their regional neighbours, building institutional capacities and applying principles of good governance. As the largest trading block in the world and one of the main stakeholders in the Doha Development Agenda, the European Union remained acutely aware of the need to address the situation in commodity-dependent countries more generally. He looked forward to participating in the decision-making in the European Commission on the important issue of sugar.

52. **Mr. Gallegos Chiriboga** (Ecuador) said that the general world economic outlook seemed to be very positive in the light of the 4.8 per cent growth rate, which was the highest in the last 20 years. Given the dynamism that had characterized demand from Asia and the United States, world trade could be expected to grow by 7.9 per cent in 2004. However, certain recent events could have an adverse effect on a large number of countries dependent on foreign savings. Currently, the fact that international liquidity was beginning to contract as a result of the foreseeable growth in interest rates in the United States would mean that financing would become more expensive, which would have an impact on economic growth. That effect would be reinforced by the projected drop in the demand for imports from the United States and China in 2005 and reduced demand from OECD countries as well as changes in the prices of certain commodities. Higher financing costs would also mean a heavier debt-service burden, making matters worse for HIPC countries. In short, despite the strength of economic growth, the level of exposure in those countries having high financial needs and greatly dependent on foreign savings would increase. In stark contrast to cooperation expenditures, recent figures of the World Bank showed that the amount spent on weapons was of the order of $90 trillion.

53. **Ms. Tamwin** (United States of America) said that faster global growth was expected in 2004 and 2005 than in any two-year period since the late 1970s. The major reason was the sharp rebound in the United States economy, which had grown at about five per cent over the last four quarters, faster than in almost 20 years. While stronger global growth was in her country's as well as in the world's interest, more work was needed to render growth broad-based and sustainable and less reliant on a single engine.

54. As was apparent from the discussions at the recent G8 meeting in Georgia, the United States and other development partners were fulfilling their commitments to global economic growth, sustainable development and poverty eradication. Her country welcomed the recognition that ODA was increasing. The Secretary-General had noted that in 2002, net resource flows to least developed countries had amounted to some 17 billion dollars; a record level and a 35 per cent increase over 2000. President Bush had pledged that the United States would lead by example and increase its core development assistance by 50 per

cent over the next three years, resulting in an annual increase of five billion by fiscal year 2006. By establishing the Millennium Challenge Account, President Bush had created a new compact for global development defined by new accountabilities for rich and poor nations.

55. Greater contributions from developed nations must be linked to greater responsibilities from developing nations. To be eligible for the new monies, nations must root out corruption, respect human rights and adhere to the rule of law. They must invest in their people by improving their health-care systems and their schools. They must unleash the energy and creativity necessary for economic growth by opening up their markets, removing barriers to entrepreneurship and reducing excessive bureaucracy and regulations. A number of least developed countries were among the first batch of eligible countries.

56. Ambitious policies of global liberalization were called for in the area of trade. The stakes were high, especially for the developing world: the World Bank had estimated that the elimination of trade barriers could result in a gain of over $500 billion for developing countries. A global reduction in barriers to trade could help deepen, broaden and extend the current global economic expansion. Her country hoped to conclude negotiating frameworks for agriculture, goods and services by July under the Doha Development Agenda, and it was supporting exports from Africa through the African Growth and Opportunity Act (AGOA). AGOA-related trade and investment had created over 190,000 jobs and over $340 million in new investment in Africa. Africa's apparel exports had doubled. AGOA was also stimulating intra-regional trade, which was critical to Africa's economic development. As a key part of the President's effort to open markets and to promote economic growth and development in the poorest areas of the world, AGOA remained a cornerstone of United States policy towards Africa.

57. Creating an environment of economic freedom that allowed private businesses to flourish should be a much higher priority on the development agenda. The United Nations Commission on Private Sector and Development had stressed that poverty alleviation required a strong private sector. It was the source of growth, jobs and opportunities for the poor. The Commission's report made interesting reading and her country would like its conclusions to be highlighted in the ministerial declaration.

58. Developing countries needed to create the conditions in which entrepreneurs could build successful businesses and families could access formal financial markets at reasonable prices. But businesses thrived only when countries provided transparent regulatory and legal frameworks; if they lowered the barriers to starting and operating companies and provided adequate infrastructure. The recent G8 meeting had agreed that the World Bank and regional banks should work to improve investment climates and direct more resources to the private sector. In particular, one of the activities highlighted was the work of the World Bank to identify quantitative indicators for the costs and benefits of business regulations across countries.

59. The G8 had also focused on the flow of remittances, which remained a tremendous source of capital and flowed directly into the hands of consumers and households in the developing world. Reducing the roadblocks for people sending money back to their families involved identifying and removing barriers that slowed the flow of remittances, made transactions expensive or encouraged money to flow through informal channels. Improving access to financial services and infrastructure was particularly important. The Monterrey Consensus had made it clear that achieving lasting development required the deployment of all relevant resources and the use of the private sector as a vital engine of economic growth, job creation and poverty reduction. Her delegation strongly believed that enabling the private sector to help poor people prosper should become systematically integrated into development assistance efforts.

60. **Mr. Garcia Gonzalez** (El Salvador) said he wished to know the views of the panel regarding the impact of the high cost of oil on the economies of both least developed and middle-income countries.

61. **Mr. Neil** (Jamaica) welcomed the reported improvement in the global economic outlook as a result of continued growth in the world's largest economies. While the report showed that that improvement was almost universal, there were some differences in economic strength, with implications for the continuance of balanced growth and the reduction of income gaps between developed and developing countries. The sustainability of macroeconomic

policies in the major economies, which had been the locomotive for the global recovery, was being threatened by growing inflationary pressures and fiscal imbalances. Ongoing recovery might well be stalled unless those economies managed growth, stabilized inflation and corrected macroeconomic imbalances. He was concerned about the effect of rising oil prices on geopolitical stability, civil conflict and international terrorism.

62. While the outlook for trade in certain metals and mineral resources was bright for some countries, the same was not true for agricultural products, on which a vast percentage of the world's poor depended. To enable the developing countries to benefit from the global economic recovery, greater efforts had to be made to introduce arrangements conducive to their integration in the world economy.

63. **Mr. Chowdhury** (Bangladesh) said that, only when Bangladesh had taken control of its destiny by relying on innovative, domestically spawned ideas like microlending to the informal sector and on products of its own non-technological or intellectual resources, had it been able to bring about what the World Bank had called "a quiet revolution in societal transformation". The national civil society organizations, which exceeded 20,000 in number, had been critical to that process, demonstrating the need for a close partnership between civil society and the Government. It was also necessary to build a strong middle class, to empower women, to alleviate the poverty of the poorest, to have a participating vibrant civil society in development, and to create democratic and pluralistic institutions. Development changes must be effected from within and could not be imposed from outside. If it stayed on course, Bangladesh would be in a position to achieve the Millennium Development Goals ahead of time.

64. The United Nations and other multilateral organizations must provide social programmes for failed and failing States. Africa, which must remain the focus of attention, might well benefit from peer policy reviews conducted on a voluntary basis. The experience of Bangladesh showed that development even among least developed countries remained possible, provided that their initiatives were buttressed by external support.

65. **Mr. Gopinathan** (India) said that there was a need to anticipate the outcome of the eleventh session of UNCTAD and to help developing countries to find their own development path. There were inevitable linkages between the trade, money and finance, the social dimension, employment and productive work, just as there were links between the global and the local. The World Commission had come up with recommendations for making globalization fair and equitable. It had recognized that an effective and strong democratic State was important in that task and had suggested non-confrontational ways in which the international community could address the challenges posed by globalization by making it more inclusive and enhancing its positive aspects.

66. The World Commission's report also seemed to underline the need for improved decision-making in the international trade and financial institutions and for extension of the special and differential treatment to areas beyond trade, money and finance. He wondered how the intergovernmental bodies of the United Nations would proceed with the consideration of the recommendations, especially those addressed to member Governments and to the bodies of the United Nations system. He also sought to know how the consideration of the report by the Economic and Social Council and its functional commissions, and subsequently the General Assembly, could contribute to the 2005 event for the comprehensive review of the implementation of the Millennium Declaration.

67. **Mr. Gambari** (Under-Secretary-General and Special Adviser on Africa) said that Africa's renaissance was reflected in the vision behind the New Partnership for Africa's Development (NEPAD), which was based on the twin pillars of ownership by Africans and partnership with the international community. In that regard, African countries had undertaken to integrate the priorities of NEPAD into their national development programmes and poverty reduction strategies. Those priorities, which included agriculture, infrastructure, market access, human resource development, and HIV/AIDS, were in many ways the same as the priorities of the Millennium Development Goals. The challenge would be, not only to ensure that United Nations agencies and programmes were well informed about NEPAD policies, priorities and procedures, but to elicit their support in the form of greater coordination and coherence. Examples of progress in the implementation of NEPAD priorities included the fact that, following the approval in 2003 of the Comprehensive African Agricultural Development Programme by the African Ministers of

Agriculture in Maputo, the NEPAD Secretariat had speeded up implementation of the African agenda for agriculture. NEPAD had developed an African Peer Review Mechanism to deal with issues of transparency, accountability and good governance at the policy level and also at the economic and corporate governance levels; 19 countries were voluntarily subscribing to peer reviews.

68. Progress in the peace and security sector included the recognition that there could be no development without peace and the consequent establishment by the African Union of the Peace and Security Council. Commendably, the European Union was to provide between 300 and 400 million euros to help in developing an African standby force capable of intervening to restore peace and security in the continent.

69. The World Bank and the African Development Bank were accelerating the pace of project preparation and implementation in the area of infrastructure development. The World Bank had approved funding for two major projects: the Southern African Power Market Project and the Southern African Regional Gas Project. In general, African countries were seeking, assistance from the international community in four areas: debt relief and the stabilization of commodity prices; an increase, not just in the quantity of official development assistance, but also its quality; coherence in terms of trade and aid policies of development partners; and support for the special needs of countries emerging from conflict. He suggested that a review of recent practices in demobilization, disarmament and reintegration might be conducted to assess their contribution to stability and development in Africa.

70. **The President** thanked all participants for their contribution and drew attention to the questions raised. She then invited the Secretary-General of UNCTAD and the Director-General of ILO to respond.

71. **Mr. Ricupero** (Secretary-General of United Nations Conference on Trade and Development) said that it was difficult to address the issue of oil prices, when no policy existed to stabilize commodity prices. It was plain that there were two main factors at play: the deterioration of the political situation in the Middle East, the lack of solutions in Iraq, terrorism in Saudi Arabia and the conflict in the Middle East; and the fact that the oil market was characterized by growing scarcity

72. **Mr. Somavia** (Director-General of the International Labour Organization), replying to questions about the report of the World Commission on the Social Dimension of Globalization, said that there were different levels of follow-up action. One was national policy coherence with respect to the issues that globalization raised. Such coherence would enable the issue to be addressed internationally. As it was by an independent commission, the report was able to make recommendations to a wide array of organizations. Within the United Nations common system the report might constitute an input to the review in 2005 of the Millennium Development Goals. Because the Millennium Declaration addressed the issue of globalization, the report had done the same. Globalization should benefit more people and the report provided a set of proposals on how that could happen.

The meeting rose at 1.08 p.m.